

Message Text

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PAGE 01 THE HA 02064 041414 Z

43

ACTION EB-11

INFO OCT-01 EUR-25 IO-12 ADP-00 AID-20 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-02 DODE-00 PA-03 USIA-12 PRS-01 RSR-01

/168 W

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R 041310 Z MAY 73

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC 1231

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION GENEVA

USMISSION OECD PARIS

UNCLAS THE HAGUE 2064

E. O. 11652: N/ A

TAGS: EGEN, NL

SUBJECT: ZIJLSTRA ON DUTCH ECONOMY

1. IN 1972 ANNUAL REPORT OF DUTCH CENTRAL BANK RELEASED LAST WEEK, GOVERNOR ZIJLSTRA ZEROED IN ON WHAT HE DESCRIBED AS "REMARKABLE" SHIFT IN ORIENTATION OF DUTCH ECONOMY IN 1972 OVER PREVIOUS SEVERAL YEARS. ESSENTIAL FEATURES OF SHIFT, AS HE DEFINED THEM, ARE MOVEMENT FROM DEFICIT TO SURPLUS IN BOP CURRENT ACCOUNT AND FROM INFLATIONARY TO DEFLATIONARY FISCAL OPERATIONS.

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PAGE 02 THE HA 02064 041414 Z

2. IMPLIED STABILIZATION OF DEMAND, HOWEVER, HAS PARADOXICALLY NOT HALTED WAGE/ PRICE INFLATION. PER CAPITA WAGE BILL AND COST OF LIVING ROSE 12.5 AND 7.8 PERCENT RESPECTIVELY IN 1972 AND WILL RISE AT COMPARABLE RATES IN 1973, I. E., SUBSTANTIALLY MORE THAN FORESEEN BY GON PLANNERS. THUS, ZILJLSTRA CONCLUDED, WAGE AND PRICE INFLATION HAVE NOW BECOME " AUTONOMOUS" AND " DRIFT ON THEIR OWN POWER," AND SOME MEANS MUST BE FOUND TO APPLY SYNCHRONIZED BRAKES ON BOTH WAGES AND PRICES IF DECLINE IN BUYING POWER OF GUILDER IS TO BE ARRESTED.

3. ENGLISH TRANSLATION OF FULL REPORT WILL BE SUBMITTED UNDER CERP WHEN AVAILABLE (PROBABLY LATE JUNE).

4. COMMENT: RAMPANT INFLATION AND RELATED DISAGREEMENT OVER NEED FOR WAGE AND PRICE CONTROLS WERE MAIN FACTORS IN BREAK-UP OF CENTER/ RIGHT GOVERNMENT COALITION LAST JULY. THESE SAME PROBLEMS WILL FACE NEW CENTER/ LEFT COALITION NOW BEING FORMED.
MIDDENDORF

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*** Current Handling Restrictions *** n/a

*** Current Classification *** UNCLASSIFIED

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Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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30 JUN 2005

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TAGS: EGEN, NL, EGEN
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BRUSSELS
COPENHAGEN
DUBLIN
EB
LONDON
LUXEMBOURG

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